

THE LEONARD LETTER

June 27, 2005

QUOTE OF THE WEEK

"The world will little note nor long remember what we say here, but it can never forget what they did here. It is for us the living rather to be dedicated here to the unfinished work which they who fought here have thus far so nobly advanced. It is rather for us to be here dedicated to the great task remaining before us—that from these honored dead we take increased devotion to that cause for which they gave the last full measure of devotion—that we here highly resolve that these dead shall not have died in vain, that this nation under God shall have a new birth of freedom, and that government of the people, by the people, for the people shall not perish from the earth." --- President Abraham Lincoln, The Gettysburg Address, 1863

UNDER THE DOME

Watching Squirrels

A few weeks ago I fell down some stairs and injured my leg. (My family has awarded me the permanent klutz trophy.) I had to have surgery to repair the damage and now I am confined to a recliner while my leg heals. My recliner is located near a picture window that overlooks my backyard and that gives me a clear view of the squirrels that inhabit my yard. They neither reap nor sow, yet God provides them with food enough for them to be fat and happy.

However, I have been trying to raise some apricots. I trimmed the tree, watered and weeded around it. My granddaughter Katie and I have been checking the crop each day to see if the fruit was ripe. The squirrels kept similar watch: each day they visited my apricot tree, picked the unripened fruit and threw it on the ground. One warm day, my wife told Katie that the next day the fruit would be ready to be picked and eaten. We were very excited about the prospect of harvesting fruit our labor had helped to bring forth and equally disappointed the next morning when we discovered that the squirrels had picked the tree clean of the ripe fruit. There was no fruit for those of us who had cared for the tree.

In this way, the squirrels make me think of those who would raise taxes on others, taking what they neither sowed nor reaped. Just as I was denied my apricots, taxpayers are denied the use of their money for their business, their family, or their own enjoyment. Just as I am reconsidering whether I will invest my labor in another fruit tree, taxpayers faced with higher tax rates reconsider whether they will continue to produce if their fruit is stolen from them. Now, I do not know what party these squirrels belong to, but I am happy that they at least they can only get to my garden and not into my house.

*****Rolling Over*****

A 5-4 decision by the U.S. Supreme Court last week upholding the ability of local governments to seize private property for economic development purposes was appalling. Our Founding Fathers must be rolling over in their graves as the Court majority sent the Fifth Amendment to its knees. Justice Sandra Day O'Connor, who is rumored to be resigning the bench soon, wrote a profound dissent. I share here a quote from that I believe will be proven accurate. I urge all local elected officials who are "carefully considering" economic development plans also to carefully consider Justice O'Connor's concerns.

"For who among us can say she already makes the most productive or attractive possible use of her property? The specter of condemnation hangs over all property. Nothing is to prevent the State from replacing any Motel 6 with a Ritz-Carlton, any home with a shopping mall, or any farm with a factory. ... Any property may now be taken for the benefit of another private party, but the fallout from this decision will not be random. The beneficiaries are likely to be those citizens with disproportionate influence and power in the political process, including large corporations and development firms. As for the victims, the government now has license to transfer property from those with fewer resources to those with more. The Founders cannot have intended this perverse result."

*****Retirement's Reckoning*****

The Reason Foundation has a new report, "The Gathering Pension Story," that bears pondering (see the summary at <http://www.rppi.org/ps335polsum.pdf>). Most Californians are aware of San Diego's \$2 billion pension deficit. Tack onto that our state's teachers' retirement system has a shortfall of around \$24 billion. Many other places are experiencing the same. According to Reason, the State of Illinois faces a \$35 billion pension deficit. West Virginia's is \$3.5 billion along with \$3.3 billion in workers' compensation liabilities -- these together are nearly triple that state's annual budget. According to the report, private pension plans in America are short between \$400-\$500 billion. This should give folks a better measure of how sound the structure of the defined benefit system is. Government pension shortfalls would likely be on par with the private defined benefit plans if governments were not able to constantly throw additional money into their funds.

Clearly, public defined-benefit programs have the intrinsic flaw in that no one is accountable for either the performance of these funds, nor the promises made to future retirees. Legislators can pile on benefits knowing that they will likely be out of office by the time the public catches on. A much better way to fund public sector retirements is to do what the private sector is doing more often: have new workers participate in a defined contribution model. From a policy standpoint, the advantage of a defined contribution system, where the government could match employee contributions to a 401k plan, is that it provides the most stability for budgeting since the contribution levels are known. Under defined pension plans, if a plan is mismanaged or unsustainable promises are made, we see the incredible volatility in what the public is asked to pay. Plus, under

defined benefit plans, individuals would no longer have to worry whether those who are managing their money are using funds fight partisan battles against corporations that have nothing to do with the secure retirement of their customers.

*****Making E-Filing E-asier*****

Taxes are complicated and filing them can be overwhelming. One of my goals is to simplify life for taxpayers and one of the ways I am accomplishing that is by pushing the BOE to improve its electronic services. My hope is that you can spend less time filling out your tax returns and more time generating business.

If you are a single-outlet retailer (including temporary accounts, governmental agency accounts, and revoked accounts) who pays Sales and Use Tax to the BOE, you are eligible to file your return electronically (e-filing). The BOE web page has a link to a service provider for your filing convenience. You can also pay your taxes via electronic fund transfer (EFT). Be sure to check out the electronic service section on the BOE's web page at www.boe.ca.gov/electsrv for more details.

I anticipate that by the end of 2005 the BOE will offer free e-filing from the web page for this same group of filers. I am working to expand e-services to include e-filing for multiple-outlet taxpayers and prepayments. Watch for updates to electronic services on the BOE web page.

*****Test Tube Sex at School*****

I learned years ago to cease being amazed at the horror stories generated in California's public schools. I heard from an old friend this last week about an assignment in her daughter's high school biology class that was in such poor taste that I cannot imagine she was the only parent to complain. The class lab was designed to demonstrate pathogens and infection. The teacher's handout explains that "the class will engage in test tube sex and the spread of the pathogen will be measure afterward." (Sic.) The instructor dimmed the classroom lights, played Barry White's "Let's Get It On," and then the handout instructed students to "Find a student (of either sex) to exchange body fluids with....Have test tube sex with two more people (easy tiger!)..." According to the one student who complained, male students began soliciting female students to "suck my tube." This freshman girl reported the inappropriate comments to the teacher and refused to participate. She left the classroom to complain to the principal. District officials determined that her allegations were true and pledged that this instructional method will not be used again.

This incident is a cautionary tale for other parents. Parents have the right to review their child's curriculum in advance and to give input into the instructional materials that are used. Parents can also opt their children out of comprehensive sex education and HIV/AIDS instruction. Most parents would not assume that a biology lesson on pathogens would require a high level of scrutiny, but clearly parents can take nothing for granted in this day and age.

Fortunately, this mother knew about the Pacific Justice Institute, which provides free legal assistance to students who have been placed in a hostile environment because of their moral or religious beliefs, please contact the Pacific Justice Institute. For more information, see www.pacificjustice.org.

MISCELLANY

A Good Read

How often have you heard the phrase, “There’s not a dime’s worth of difference between the Republican and Democrat parties”? If you have ever accepted the validity of that assertion, you need to read “Back to Basics for the Republican Party” by Michael Zak. Zak writes a meaningful history of the Republican Party, rich with detail that puts the GOP’s philosophy in context and distinguishes it from the Democrats. In particular, Zak focuses on the ideological roots of the GOP in the anti-slavery movement. He writes, “How many Americans know, for example, that the 1964 Civil Rights Act and the 1965 Voting Rights Act were reforms that our Republican Partry struggled in vain for during the Reconstruction era a hundred years earlier? ... The 13th Amendment banning slavery, the 14th Amendment extending the Bill of Rights to the state, and the 15th Amendment according voting rights to blacks—all three were enacted by the much-maligned Radical Republicans in the face of fierce Democrat opposition. How many Americans know that?” Zak examines the Republican commitment to the free market, individual liberty and states’ rights and brings his commentary full circle by challenging Republicans to reclaim this heritage and speak again about constitutional rights and against the socialist bureaucracy. To learn more about Zak’s educational efforts, see www.republicanbasics.com.

BOE AND LEGISLATIVE DATES

June 30 - July 1, 2005 --- BoE meets in Sacramento.

July 4, 2005 --- Independence Day.

July 15, 2005 --- Legislature’s summer recess begins, provided the Budget bill has been enacted.

August 15, 2005 --- Legislature reconvenes from summer recess.

August 31-September 1, 2005 --- BoE meets in Sacramento.

September 5, 2005 --- Labor Day.

September 9, 2005 --- Last day for any bill to pass the legislature; interim recess beings upon adjournment.

September 20-21, 2005 --- BoE meets in Culver City.

NOTABLE DATES/ HISTORY

June 27, 1867 --- The Bank of California opened its doors.

June 28, 1864 --- Republican majority in Congress repealed the Fugitive Slave Act.

June 28, 1894 --- Congress declared the first Monday in September as Labor Day, a national holiday.

June 28, 1985 --- Route 66, the legendary highway from Chicago, IL to Santa Monica, CA was decertified as federal highway.

June 29, 1956 --- President Dwight D. Eisenhower signed the Federal Highway Act, authorizing funding for an interstate highway system.

June 29, 1982 --- President Ronald Reagan signed a 25-year extension of the 1965 Voting Rights Act.

July 1, 1963 --- The U.S. Post Office introduced the five-digit zip code.

July 1, 1862 --- Congress established the Internal Revenue Service.

July 1, 1863 --- During the U.S. Civil War, the first day's fighting at Gettysburg began.

July 1, 1943 --- The U.S. government began automatically withholding federal income tax from paychecks.

July 2, 1776 --- Continental Congress voted for the independence of the United Colonies from Great Britain.

July 2, 1857 --- President James A. Garfield was shot and mortally wounded at a train station in Washington, D.C.

July 3, 1965 --- Gemini 4 astronaut Edward White made the first space walk by an American.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115

TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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